

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

April 28, 2011

TO: Honorable Jim Pitts, Chair, House Committee on Appropriations

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: HB380 by Callegari (Relating to the constitutional limit on the rate of growth of appropriations and the use of surplus state revenues.), **As Introduced**

No fiscal implication to the State is anticipated in the upcoming biennium.
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Currently, Article VIII, Section 22 of the Texas Constitution limits the biennial growth of appropriations from state tax revenue not dedicated by the constitution to the estimated rate of growth of the state's economy. Section 316.002 of the Government Code, instructs the Legislative Budget Board to determine the growth of the state's economy by estimating the growth in Texas personal income.

The bill, in conjunction with a proposed constitutional amendment, would limit the biennial growth of appropriations from all sources of state revenue except federal funds to the sum of the estimated rate of growth of the state's population and the estimated rate of inflation in the state during the preceding biennium.

The change from a limit using the growth of personal income to one using population and inflation would likely reduce the allowable growth rate in appropriations for subsequent biennia. For the purpose of illustration, the estimated rate of growth of personal income used to set the 2012-13 limit was 8.92 percent. Based on the Comptroller's economic forecast, the biennial estimate of the sum of population growth and inflation growth for the previous biennia as proposed by the bill for 2012-13 would be 6.07 percent. The fiscal impact of expanding the application of the limit to all funds, except federal funds, in subsequent biennia would depend on the composition of state revenue in those biennia.

The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, to add new Subchapter K to require the Comptroller not later than 180th day of each state fiscal biennium to compute and issue to each payer of the franchise tax during the previous state fiscal biennium a rebate of franchise taxes paid in an amount equal to one-third of the amount of the unencumbered positive balance of general revenues determined under Subsection (a), Section 49-g-1, Article III of the Texas Constitution to be remaining after the economic stabilization fund transfer. The Comptroller could issue a payer's rebate by warrant or by electronic funds transfer. To the extent that additional unencumbered positive balances are transferred from general revenue, there would be a corresponding loss of available revenue to general revenue.

The bill's provisions would apply to an appropriation made for the state fiscal biennium beginning September 1, 2013, and subsequent state fiscal biennia.

The bill would take effect on the date on which the constitutional amendment proposed by the 82nd Legislature, regarding the limitation on the rate of growth in appropriation and the use of unencumbered surplus state revenues to provide for a rebate of state franchise taxes, to reduce public school district property taxes, and to fund the state's rainy day fund takes effect. If the amendment is not approved by the voters, this bill would have no effect.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

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